

Message Text

MRN: 1978TUNIS 002647 SEGMENT NUMBER: 000001 ERROR READING TEXT INDEX

FILE; TELEGRAM TEXT FOR THIS SEGMENT IS UNAVAILABLE

ADP808

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 IO-13 ISO-00 AGRE-00 CEA-01

CIAE-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 ICA-11 SP-02 SOE-02 OMB-01 DOE-15

AF-10 ARA-10 EA-10 OIC-02 XMB-02 OPIC-03 (ISO) W

-----109127 122257Z /70

R 121025Z APR 78

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 678

INFO USDOC WASHDC

AMEMBASSY BRUSSELS

USMISSION GENEVA

AMEMBASSY PARIS

DEPT OF TREASURY WASHDC

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USEEC, USOECD

DEPT PASS EXIM

7. LAROUSSE'S COMMENTS IN PARA 5 ABOVE WERE ECHOED BY MANY BUSINESSMEN, BOTH TUNISIAN AND EXPATRIATE, WE HAVE APPROACHED. THE NEW TAX SEEMS ILL-CONCEIVED AND POORLY IMPLEMENTED. CERTAINLY THE SIZE OF THE TRADE DEFICIT GIVES CAUSE FOR ALARM. YET KNOWLEDGEABLE OBSERVERS HAVE SAID THE NEW TAX WILL NOT CURB THE APPETITE OF THE RICH (AMONG THEM THE GOVERNMENT ELITE) FOR BMW AND MERCEDES CARS, NOR WILL IT STEM THE TIDE OF NEEDLESS PURCHASES OF UNNECESSARY AND OFTENTIMES EXPENSIVE EQUIPMENT BY THE STATE CORPORATIONS.

8. FOR THE MOMENT THE NET EFFECTS APPEAR TO BE UNNECESSARY INFLATION, WHEN THE FIFTH PLAN CALLS FOR

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RESTRAINT, AND GROWING RESENTMENT AMONG THE EDUCATED POPULATION OVER THE INABILITY OF THE GOVT TO EFFECTIVELY MANAGE THE ECONOMY. CERTAINLY A STEP SUCH AS THIS COULD HAVE REPERCUSSIONS WHEN TUNISIA SEEKS TO BORROW MORE

FUNDS ON INTERNATIONAL MONEY MARKETS DURING THE SECOND
HALF OF THIS YEAR. DURING CONVERSATIONS WITH BRITISH
AND AMERICAN MERCHANT BANKERS OVER THIS PAST WEEKEND, THEY ALL
SAID TUNISIA WILL NOT ENCOUNTER SERIOUS DIFFICULTY IN
BORROWING AMOUNT SIMILAR TO LAST YEAR (\$125 MILLION WAS
BORROWED FALL, 1977) BUT THAT (TAXE DE COMPENSATION)
IS ONE INDICATOR THAT FIFTH PLAN IS NOT GOING WELL. GOT
IS NOW BEING TOLD BY SOME MERCHANT BANKERS THAT THE COST OF
THE UPCOMING BORROWING WILL BE HIGHER THAN LAST YEARS. GOT OBTAINED
FUNDS AT
1 1/8 OVER LIBOR LAST YEAR, BUT OUR BANKING SOURCES COULD
NOT PREDICT WHAT RATE THE TUNISIANS MIGHT PAY THIS YEAR.
MULCAHY

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